



# **FINANCIAL AUDIT SHERIFF'S CANTEEN FUND & JAIL INMATE FUND**

March 5, 2001

Roanoke City Council Audit Committee  
Roanoke, Virginia

We have audited the accompanying Comparative Statement of Changes in Cash Balance and the Comparative Operating Statement for the Canteen for the City of Roanoke Sheriff's Office, and the related financial records for the jail inmate fund for the 12 month periods ended December 31, 1999 and December 31, 2000. These financial statements are the responsibility of the Sheriff, our responsibility is to express an opinion on the financial statements based on our audit.

## **BACKGROUND**

In February 2000, the Sheriff's Office contracted with the Swanson Services Corporation (Swanson) to sell commissary products to inmates in exchange for a commission of 17.1% of the net inmate commissary sales. The Sheriff's Office receives a commission check each month. The Sheriff's commission collections are deposited into the canteen fund checking account maintained by First Union Bank. The canteen funds are used for the goods and services that are for inmate benefit or use. The canteen accounting records are maintained by the Sheriff's Office using the Quicken financial software package.

Swanson also provides an inmate banking software program, the necessary hardware, and technical support to the Sheriff's office. The banking software program is used to establish, account for and manage monies in the Inmate Trust Funds. The Inmate Trust Funds consist of monies confiscated at the time of inmate incarceration or received from family and friends of the inmate. Inmate Trust Funds are also credited for wages earned by an inmate through the work release program. Inmates may use their funds to make purchases from Swanson, to pay medical co-payments, or they may request payments be made to family and friends. Inmate Trust Funds are kept in a central checking account at First Citizens Bank.

The Sheriff's Office maintains the financial records for the canteen and jail inmate trust funds using the cash basis of accounting ( See Note 1), which is a comprehensive basis of accounting other than generally accepted accounting principles.

**METHODOLOGY**

We conducted our audit in accordance with government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Commonwealth of Virginia's Auditor of Public Accounts, through its Sheriff's Accounting Manual, requires the preparation of financial statements. As a matter of compliance with this requirement, we have prepared 12-month statements for the periods ended December 31, 1999 and December 31, 2000 (see attachment A). We believe that our audit provides a reasonable basis for our opinion.

**CONCLUSION**

In our opinion, the financial statements referred to above present fairly, in all material respects, the activity of the canteen fund for the City of Roanoke Sheriff's Office for the 12-month period ended December 31, 2000, under the cash basis of accounting.

**REQUIRED COMMUNICATIONS****Significant Accounting Policies**

We noted no transactions related to the Sheriff's Canteen Fund which were both significant and unusual which would require reporting. We also noted no transactions for which there is a lack of authoritative guidance or consensus.

**Management Judgments and Accounting Estimates**

The financial statements for the City of Roanoke Sheriff's canteen fund do not require estimates due to the basis of accounting used and the nature of the transactions involved. As such, there are no management judgments or accounting estimates which we would consider to be significant and which would require reporting.

**Significant Audit Adjustments**

Our audit results did not result in any proposed audit adjustments to the original accounting records of the Sheriff's Office.

**Disagreements with Management**

There were no disagreements with management regarding financial accounting, reporting, or auditing procedures.

**Consultation with Other Accountants**

To the best of our knowledge, management has not sought the opinion of independent accountants during the past year regarding any issues falling under AU 625, *Reports on the Application of Accounting Principles*.

**Major Issues Discussed with Management Prior to Retention**

We generally discuss accounting and auditing procedures with management during the course of our audit. There were no major issues discussed and no discussions which addressed our retention as auditors for the Sheriff's canteen fund.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

**System of Internal Controls**

The Sheriff is responsible for establishing and maintaining a system of internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objective of a system of internal controls is to provide the Sheriff with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with the Sheriff's authorization, and that transactions are recorded properly so as to allow for the accurate preparation of required financial reports.

As part of our examination, we made a study of the system of internal controls to the extent that we considered necessary to evaluate the system as required by government auditing standards. The purpose of our study was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements for the canteen fund administered by the City of Roanoke Sheriff's Office.

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. A projection of any evaluation of internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation would not necessarily disclose all material weaknesses in the system of internal controls. Accordingly, we do not express an opinion on the system of internal controls.

Significant internal controls for the Inmate and Canteen Trust Funds include the following:

Pre-numbered receipts for all funds collected.

Deposit daily collections into an official bank account.

Inmates must sign a property slip when property is confiscated and returned to them.

All disbursement over \$25 must be made by check.

Monthly reconciling of bank account balances to the checkbook balances.

The Sheriff or designee reviews and approves the monthly reconciliations.

**Finding 01**

Procedures have not been established to account for cash short and over on the Swanson System. An accumulated balance of approximately \$7.50 was maintained in an envelope at the time of the audit.

**Management's Response 01**

The Sheriff's Office established an account to track cash short and over on the Swanson system as of 2/27/01. The Sheriff's office also established procedures to investigate instances of cash short and over in order to determine proper treatment of the difference.

**Finding 02**

In an effort to separate duties, the Sheriff's Office changed procedures relating to the posting of transactions to the general ledger and the reconciling of the Canteen checking account. As a result, posting of receipts and disbursements into the general ledger was delayed approximately 7 to 14 days.

**Management Response 02**

The Sheriff's Office will review posting procedures to ensure proper posting and reconciling occurs.

**Finding 03**

The Swanson System is not displaying the proper sales tax on individual inmate receipts due to an apparent programming error.

**Management's Response 03**

The Sheriff's Office has informed Swanson of the problem with the calculation of sales. Swanson is expected to update the system in early March and anticipates that the problem will be corrected.

**Compliance with Laws and Regulations**

Compliance with laws and regulations applicable to the canteen fund and inmate funds is the responsibility of the Sheriff. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests to verify compliance with certain provisions of laws and regulations by the Sheriff's Office. Laws and regulations tested include the compliance with Virginia Sheriff's Accounting Manual established by the Auditor of Public Accounts, Virginia Prompt Pay Act, and Virginia State Code on Escheatment. Our objective was not to provide an opinion on overall compliance with applicable laws and regulations. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the City of Roanoke Sheriff's Office has substantially complied with the Virginia Sheriff's Accounting Manual, in all material respects, with the provisions referred to above:

**Finding 01**

Unclaimed property for fiscal year 06/30/00 was not escheated to the State Treasurer until 02/27/01.

**Management's Response 01**

The Commonwealth of Virginia did not notify local governments of the filing date for escheating unclaimed property to the State Treasurer, as it had in previous years. Therefore, the filing deadlines was unintentionally overlooked by the Sheriff's Office.

With respect to items not tested, nothing came to our attention that caused us to believe that the City of Roanoke Sheriff's Office had not complied, in all material respects, with those provisions.

We would like to thank Sheriff's Office for their cooperation during the audit.

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Pamela C. Mosdell  
Auditor

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Michael J. Tuck  
Senior Auditor

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Tera Dawn Hamden, CPA  
Senior Auditor

City of Roanoke - Sheriff's Office  
Canteen Fund  
Comparative Statement of Changes in Cash Balances

	For 12-Months Ended December 31, 2000	For 12-Months Ended December 31, 1999	Change from Prior Year	
			\$	%
Receipts:				
Sales to Inmates	114,348	395,843	(281,495)	-71%
Sales to Employees	-	861	(861)	-100%
Non-Pres Medication		1,645	(1,645)	-100%
Total Receipts	114,348	398,349	(284,001)	-71%
Disbursements:				
Canteen Stock	9,406	247,705	(238,299)	-96%
Contract Bed	-	-	0	0%
Inmate Benefit	180,121	76,386	103,735	136%
Sales Tax	3,072	17,896	(14,824)	-83%
Bank Charges		111	(111)	-100%
Total Disbursements	192,599	342,098	(149,499)	-44%
Increase (Decrease) in Cash:	(78,251)	56,251	(134,502)	-239%
Add: Beginning Cash Balance	122,625	66,374	56,251	85%
Ending Cash Balance	44,374	122,625	(78,251)	-64%

City of Roanoke - Sheriff's Office  
Canteen Fund  
Operating Statement for Canteen

	For 12-Months Ended December 31, 2000	For 12-Months Ended December 31, 1999	Change from Prior Year	
			\$	%
SALES:				
Sales to Inmates	114,348	395,843	(281,495)	-71.1%
Sales to Employees	0	861	(861)	-100.0%
Non-Pres Medication	0	1645	(1,645)	-100.0%
	<u>114,348</u>	<u>398,349</u>	<u>(284,001)</u>	<u>-71.3%</u>
Total Sales				
	<u>114,348</u>	<u>398,349</u>	<u>(284,001)</u>	<u>-71.3%</u>
COST OF GOODS SOLD:				
Beginning Inventory	9,473	10,438	(965)	-9.2%
Add: Purchases	9,406	247,706	(238,300)	-96.2%
Less: Ending Inventory	0	9,473	(9,473)	-100.0%
	<u>18,879</u>	<u>248,671</u>	<u>(229,792)</u>	<u>-92.4%</u>
COGS:				
	<u>18,879</u>	<u>248,671</u>	<u>(229,792)</u>	<u>-92.4%</u>
OPERATING PROFIT (LOSS)	<u>95,469</u>	<u>149,678</u>	<u>(54,209)</u>	<u>-36.2%</u>

**CITY OF ROANOKE - SHERIFF'S OFFICE**  
**Canteen Fund**  
**Notes to Financial Statements**  
**Year Ending December 30, 2000**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation:*

The Sheriff's office maintains its financial records in accordance with the cash receipts and disbursements method of accounting. Revenue from all sources is recognized when received. Likewise, expenses are recognized when actually paid. Accordingly, there is no recognition of accounts receivable, accounts payable, property and equipment, depreciation, or accruals.